



BURZA CENNÝCH PAPIEROV V BRATISLAVE
BRATISLAVA STOCK EXCHANGE

**Issuance of shares in the form of initial public
offering
(IPO)**

March 2021

List of used abbreviations

IPO – initial public offering of shares

BSSE – Bratislava Stock Exchange.

NBS – National Bank of Slovakia

CDCP – Central Securities Depository of the Slovak Republic

Act on Securities – Act No. 566/2001 (Coll.) on Securities and Investment Services and on Amendments and Supplements to Certain Laws as amended later

Act on the Stock Exchange – Act No. 429/2002 (Coll.) on the Stock Exchange as amended later

Commercial Code – Act No. 513/1991 (Coll.) Commercial Code as amended later

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I. The basis and meaning of IPO

A company's decision to realise then Initial Public Offering (IPO) is a fundamental strategic decision, which on the one hand brings to the company the freedom to decide on the structure of financing, on the other hand it means new obligations for the company beyond the requirements for a regular joint-stock company whose shares are not traded on the capital market, which (the obligations) the company has to fulfil towards investors.

The following are the undeniable advantages of an IPO for the company:

Securing the financing – The initial public offering allows raising a larger amount of capital without increasing the company's debt. Admission of shares to the Stock Exchange significantly expands the circle of potential investors and this fact may increase the amount of raised capital compared to the financing through other forms of capital financing. This advantage does not apply only to the initial public offering, but also to other (secondary) offerings of additional share issues which the issuer may realise at a later time.

Optional easier sale of shares – Admission of shares to the Stock Exchange – whether after an IPO or upon direct subscription – brings the shareholders (e.g. the founders) of the concerned joint-stock companies the option to acquire financial means through the sale of their shares. Once the shares have been admitted to the Stock Exchange, the shareholder may decide when and in what volume he wants to sell the shares he owns. Trading on the Stock Exchange brings the option of a quick and administratively simple process of exchanging the shares for money, thereby facilitating diversification and the balancing of assets of large shareholders.

Shares as a form of payment – The higher liquidity and significantly simpler transferability, together with the trading of shares on the Stock Exchange's regulated market, increases the attractiveness of the payment of a part of the salary/remuneration in the form of shares to employees or members of the statutory body. The payment of shares as a part of salary/remuneration to employees or members of the statutory bodies is becoming an increasingly popular means of remuneration, notwithstanding the lack of legislation in this area in the Slovak Republic. Admission of shares to the Stock Exchange can increase the attractiveness of this motivating way of remuneration, and can provide a competitive advantage for a joint-stock company in acquiring new talent.

Publicity during IPO as a marketing tool – increased publicity, along with promotion of the company within the initial public offering, increases the recognisability of the issuer's brand especially in those sectors where the company sells its products or services directly to the public.

Increased credibility due to being traded on the regulated market – the disclosure of regulated information, the semi-annual and annual financial reports, plus the increased interest among investors to find out the value of securities – this all increases credibility in business relations.

On the other hand, the initial public offering means for the company:

Increased demands on compliance with regulatory requirements and the costs connected with placement of the issue on the regulated market – every business company must comply with its obligations under the commercial, tax and labour laws. In addition to the standard obligations, a publicly traded joint-stock company must also meet certain specific requirements such as, for example, disclosure of regulated information (e.g. information that may affect the price of its shares, transactions of managers etc.), disclosure of semi-annual and annual financial reports, preparation of consolidated financial statements according to the International Financial Reporting Standards (IFRS), higher demands on the organisation of general meetings, the expenses on the fees for placement of the issue on the regulated market and so on. It should

be kept in mind, however, that among the issuers of shares on BSSE's regulated market are also relatively small companies which can handle the burden connected with the aforementioned regulatory requirements.

Transaction cost of realisation of the initial public offering – realisation of the initial public offering is connected with the cost of fees associated with admission to the Stock Exchange, as well as fees for companies providing consultations, pricing, due diligence, preparation of the prospectus and other similar costs connected with the initial public offering.

Investor pressure on achieving short-term goals – Some investors may put pressure on the company's management to generate the best possible short-term results, even though focusing on the short-term goals may jeopardise the fulfilment of the company's long-term goals.

Changes in control over the company – If new shareholders acquire a substantially large share in the voting rights of a joint-stock company, they can shift the company's direction to new goals which the large shareholders, or the company founders, may not agree with. This potential disadvantage, however, applies to any form of capital financing of a joint-stock company.

II. The timetable of IPO

The initial public offering comprises a wide range of partial processes, which culminate in the sale of shares to the public and their placement on the public market for securities. Said processes and associated activities can be divided into several consecutive parts:

Consultations with advisors and preliminary evaluation – the issuer creates an internal team of advisors necessary for the realisation of IPO.

Selection of external advisors – the internal team of advisors is complemented by external experts from the ranks of investment bankers, auditors and PR specialists.

Decision of the management - after consultations with the advisors, preliminary evaluation and the draft of so-called "investment story", the company's management decides on the issuance of a share issue.

Revision and strengthening of the issuer's corporate personnel structure to a level required from public companies.

Due Diligence and internal evaluation of the issuer realisation of due diligence in relation to the issuer and its activities in order to ensure the exactness and completeness of all information included in the prospectus of security. At the same time, all such information is obtained that is required to correctly evaluate the issued shares and to set the parameters of the entire issue.

General meeting – in compliance with the Commercial Code, decisions on increase of registered capital must be made by the company's general meeting, or by the board of directors based on the general meetings' authorisation.

Decision of the competent statutory body - in compliance with the Commercial Code, decisions on the issuance of securities must be made by the company's general meeting, or by the board of directors based on the general meetings' authorisation.

Establishing relations with agents and issue managers and concluding subscription compensation agreements.

Preparation of the prospectus of shares – gathering and organising all information about the issuer and the securities being issued; submission of this information in the form of prospectus for approval to NBS.

Process of approval of the prospectus – supplementing the prospectus following the comments of NBS.

Publication of the terms of issue and the approved prospectus of securities – the public offering of securities starts on the day of publication of the prospectus of securities, and

investors can subscribe the securities in compliance with the terms of issue. The primary sale of said securities – when first investors can acquire them - lasts until the end of subscription. Once the primary sale is over, the issuer in collaboration with the issue manager ensure the issuance of securities and their registration at the Central Securities Depository of the Slovak Republic.

Submitting the application for admission to BSSE – based on the approved prospectus, the issuer can apply for conditional admission of shares to BSSE.

Road show – promotion of the issuer's shares with potential investors through distribution of a preliminary prospectus of securities (without the final terms) and meetings with investors.

Book-building – once the road show is over, a period of several days is specified during which investors send their purchase orders to the issue manager.

Pricing – setting the price and amount of offered shares.

Conditional trading of shares on BSSE – ensuring that the shares are traded on the secondary market prior to their registration at CDCP and the entry into the Business Register.

Repayment of shares and crediting to accounts – transfer of money for sold shares to the issuer's account and crediting of the shares to the capital accounts of their new owners.

Entry of shares into the Business Register

Start of proper trading on BSSE – once the shares are registered at CDCP, proper trading starts and the transactions concluded within conditional trading are settled.

By means of the public offering, the issuer addresses information about the offering of shares to unknown investors. By publishing the terms of issue and the prospectus of shares, as well as through other marketing support activities, the issuer must strive to provide investors with all necessary information and to present itself in such a manner that the investors will decide to take part in the subscription of the securities being issued.

The total duration of IPO will depend on many factors such as the size of the company, the volume of financing the company intends to acquire through IPO, the duration of due diligence, the selection of experienced advisors, the marketing campaign etc. Although many steps can be performed concurrently, the whole process may take several months to complete.

III. Consultations with advisors and preliminary evaluation

If a company decides to realise the initial public offering of shares – which is a milestone in every company's development – it is necessary to first create an internal team of advisors, which will be later in most cases supplemented by external experts on specific IPO details. It is also necessary to address an investment bank – the lead manager of the issue which can advise the issuer on related matters, and subsequently ensures the realisation of subscription of the share issue. The selection of investment bank should be based on its reputation and experience in the subscription of securities. Equally important is the issuer's intention to either sell out the share issue to small investors or to prefer institutional investors. The selection process, however, is two-sided -- an investment bank considers providing its services to a given issuer with the same prudence with which the issuer chooses an investment bank.

1. IPO team composition

Apart from the issuer, there are several other entities acting at different stages of the IPO process. Taking into account their specific knowledge, their importance lies in the support of realisation of the initial offering of shares and, in many cases, their experience is irreplaceable for the overall success of the IPO. Within the team for IPO preparation, each member fulfils a different task whereby the knowledge, abilities, experience and commitment of the whole team

directly affect many decisions of the issuer concerning the realisation of the initial offering of shares.

The company's board of directors and executive management – within the work team, the issuer is usually represented by the general (chief executive manager) and financial directors, with both of them playing a critical role in the initial offering of shares as they assume responsibility for all related decisions after consultations with the issue managers, subscribers and advisors of the issuer. At the same time they adopt decisive organisational measures affecting the public offering, and determine the timing of the share issue. They present the company in front of investors and financial groups during the road show, and are required to ensure that the information included in the prospectus truthfully reflects the company's condition and its activities. All members of the management provide various information about the company to the work team, either orally during the workgroup meetings on due diligence or in writing in the form of official statements, or by providing information required from regulators and from the investing public.

Chief executive manager – assists the workgroup in understanding the company's position and activity so that no important facts are omitted during preparation of the prospectus of shares. He oftentimes co-ordinates the due diligence process, prepares the financial statements for auditors and closely co-operates with the issuer's advisors in preparation of the prospectus of shares.

Other team members participate in the gathering of information necessary for the compilation of the prospectus as well for its internal revision, particularly in the sections of technical nature.

In order to ensure the overall success of the IPO process it is necessary to address and subsequently co-operate with various external advisors such as a book-running manager, a legal advisor, a tax advisor, an auditor and, last but not least, a PR agency.

Book-running manager – is a securities dealer engaged in investment banking. The public offering of shares can be managed either by a single manager or by several managers (in a syndicate) where one investment bank is selected from among the managers which will then perform the tasks of a book-running manager. The book-running manager is always displayed on the left side of the front page of the prospectus of shares, as he performs the crucial role during the entire transaction – he concludes all agreements with the issuer, designs the time schedule of the entire issue, bears responsibility for the due diligence process as well as for the pricing and distribution of shares. He is equally responsible for the creation of a syndicate of subscribers, which assists with selling of the share issue among the public.

Syndicate of subscribers – ensures the sufficient distribution of shares whereby usually up to 30 subscribers participate in their sale, led by one or two managing subscribers who co-ordinate the entire process on behalf of the whole syndicate. The members of the syndicate take part in the preparation and realisation of road show, and ensure that the largest part of shares on offer is sold out. They also recommend a suitable structure and size of the offering.

Legal advisor – participates in the preparation of general meetings, ensures the entries in the Business Register, prepares agreements with the issue manager, the auditor, the central depository, the subscribers as well as with the bank that will open an account for subscription of shares.

Tax advisor – acts in specific cases as required by the conditions prior to the IPO realisation or, respectively, during the sale of shares to various investor groups.

Auditor – issues a statement concerning the verification of financial information in the prospectus of shares, and participates in the due diligence process.

PR agency – ensures the issuer's external communication with managers and investors, creates an irreplaceable brand of the issuer and supports the sale of issued shares with suitable tools.

IV. Decision of the management

After consultations with external advisors, the issuer considers possible realisation of the initial offering of shares where the decision-making process is affected by several important factors. First and foremost it is the future of the company, which can gain a lot by entering the Stock Exchange; however, it can also lose a lot in the event that the IPO is not successful. It is necessary to come to an agreement with the current shareholders and ask for their consent with the IPO, as for the aforementioned reason the share of the current shareholders in the company's registered capital will decrease due to the requirement of sufficient dispersal of shares among the public. The correct timing of the share issue, however, will be the crucial point of discussions in the workgroup, as this factor will have the greatest influence on the total success - or failure - of the whole process.

The timing of the share issue is thus affected by both external and internal factors, many of which can be effectively influenced while others can be to some extent eliminated.

External factors of the timing of the issue:

- Situation on the capital market
- Investor sentiment
- Prices of alternative sources
- Competition's intentions
- Industry cycle

Internal factors of the timing of the issue:

- Corporate activities – e.g. convening of the general meeting
- Financial statements
- Personnel situation
- Planned investments
- Planned mergers and acquisitions.

V. Due diligence and internal evaluation of the company

The realisation of the due diligence process is the basis for the compilation of the prospectus of shares, which will contain all information necessary for investors to decide whether to buy the issuer's shares. Due diligence is an internal control process focused on the economic, financial, tax and legal areas. The whole process is managed by the issue manager who is liable towards investors for the completeness and truthfulness of all data included in the prospectus of shares. The results of due diligence serve as a basis for the preparation of the prospectus of shares; the internal evaluation of the company is the basis for determination of a price range of shares in the prospectus. Based on the results of due diligence and the evaluation, a definitive decision will be made on the realisation of the share issue whereby the evaluation itself must be approved by the shareholders.

Due diligence is a key task of the whole team whereby each member involved in the preparation of the prospectus is responsible for any factual inaccuracy or failure to include a material fact, until the moment when every person taking part in the preparation of the prospectus states in the prospectus that he/she has performed all actions and measures to ensure the accuracy and timeliness of the provided information.

Within the framework of due diligence, the company management must provide the members of the preparation team with various documents clarifying the issuer's activity. The extent of such documents will be specified by the issue manager.

VI. Decision of the competent statutory body

While the first draft of the prospectus of security (shares) is being prepared based on documents from due diligence, it is necessary to convene a general meeting which will decide on the issuance of shares by means of IPO. The general meeting is prepared by the issuer's legal advisors and, if there are no complications, the general meeting will consent to a maximum volume of shares by which the company's registered capital will be raised. The general meeting will also authorise the company's board of directors for further actions necessary to successfully realise the initial public offering.

Special care should be paid to determine the pre-emption rights of the current shareholders. Alternatively, it can be agreed at the general meeting that these rights will not be granted to the current shareholders. Negotiating the shareholders' consent to increase the registered capital can be time-consuming in some cases; it is therefore appropriate to ensure their consent in advance so as not to significantly disrupt the course of the public offering.

VII. Preparation and process of the prospectus approval at NBS

1. Particulars of the prospectus of security

Knowledge gained from due diligence, along with various legal documents and economic data, is a precondition for the start of preparation of the prospectus of security in compliance with the pre-agreed structure of the prospectus. Particulars of the prospectus of security in connection to §120 and following paragraphs of the Act on Securities are set out by REGULATION (EU) 2017/1129 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC ("Regulation" hereinafter).

Regulation is available in the Slovak language at:

<https://eur-lex.europa.eu/legal-content/SK/TXT/PDF/?uri=CELEX:32017R1129&from=ES>

And in the English language at:

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1129&from=EN>

For more information about preparation of the prospectus, see also:

[https://eur-lex.europa.eu/legal-](https://eur-lex.europa.eu/legal-content/SK/TXT/PDF/?uri=CELEX:32019R0979&qid=1563436421695&from=SK)

[content/SK/TXT/PDF/?uri=CELEX:32019R0979&qid=1563436421695&from=SK](https://eur-lex.europa.eu/legal-content/SK/TXT/PDF/?uri=CELEX:32019R0979&qid=1563436421695&from=SK)

<https://eur-lex.europa.eu/legal-content/SK/TXT/PDF/?uri=CELEX:32020R1272&from=SK>

The prospectus of security must contain clear and comprehensible information necessary to enable investors to make a correct assessment of the issuer, its assets and liabilities, financial situation, profit and losses and outlooks, and persons who have taken over the guarantees for the repayment of securities, or the yields and rights associated with these securities. The

prospectus must contain information about the issuer, information about the securities which are the object of the public offering or of the admission to trading on the regulated market, and the prospectus summary which will in a concise and generally comprehensible manner state the basic characteristics of the issuer, of the security and of the person who has taken over the guarantees for the repayment of securities or the yields and risks associated with them.

Since in the case of IPO it is not possible to specify the final price and the number of shares offered within the public offering, the prospectus must specify the criteria or the conditions under which such information is to be determined or - in the case of price - the maximum price, or the investors must be allowed to revoke the acceptance of the public offering to purchase or subscribe shares at least 2 working days after the publications of the final price and the number of shares on offer which (the shares) are to be the object of the public offering. The final price and the number of offered shares must be reported to NBS and published according to Article 21 Section 2 of the Regulation, not later than at the moment when the public offering commences.

The issuer may decide whether to prepare the prospectus as a single document or as consisting of separate documents. In the case of a prospectus consisting of separate documents, it must be divided into a registration document, a description of securities and a summarisation document (summary).

2. Approval of the prospectus of security

The prospectus of security is approved by NBS based on the application of the issuer, the announcer of the public offering of securities or the entity applying for admission of security to trading on the Stock Exchange.

COMMISSION DELEGATED REGULATION (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny, and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No.809/2004 regulates the obligation to submit, admit, and process the applications for approval of the prospectus of security by electronic means ("Delegated Regulation" hereinafter). National Bank of Slovakia will for this purpose use the electronic mailbox verejna.ponuka@nbs.sk.

National Bank of Slovakia approves the prospectuses of securities within the time limits specified by the Delegated Regulation as follows:

- a) A prospectus or, respectively, documents forming the prospectus within 10 working days from submission of the application for its approval or, respectively, from supplementation of required information if the draft prospectus does not meet the standards of completeness, comprehensibility and consistency; in the event of a frequent issuer, for a prospectus consisting of separate documents the time limit will be shortened to 5 working days;
- b) A supplement to the prospectus within 5 working days from submission of the application for its approval;
- c) A prospectus where the public offering comprises securities issued by an issuer who has not had any securities admitted to trading on a regulated market and who has not so far offered securities to the public (the first draft only), within 20 working days from submission of the application for its approval.

3. Fees associated with the approval of the prospectus of security

Following the Provision of the National Bank of Slovakia No. 8/2012 on fees for acts of the National Bank of Slovakia (Notification No. 376/2012 (Coll.) in the wording of the Provision of NBS No. 8/2013 (Notification No. 315/2013 (Coll.)), the Provision of NBS No. 3/2015 (Notification No. 69/2015 (Coll.)), the Provision of NBS No. 33/2015 (Notification No. 66/2016 (Coll.)), the Provision of NBS No. 2/2017 (Notification No. 169/2017 (Coll.)) and the Provision of NBS No. 4/2018 (Notification No. 40/2018 (Coll.)) (“the Provision” hereinafter):

Part 2 Item 4 Subsections f) through j) of the Provision

Approval of the prospectus of security prepared as a single document or a basic prospectus of security, if the applying entity is the issuer	650 EUR
Approval of the prospectus of security consisting of separate documents, if the applying entity is the issuer, as follows: 1. registration document 2. summarisation document 3. description of securities	350 EUR 175 EUR 175 EUR
Approval of the prospectus of security prepared as a single document, if the applying entity is the announcer of the public offering of securities who is not the issuer of securities which the public offering of securities refers to, or an entity - who is not the issuer – applying for admission to trading on a regulated market	100 EUR
Approval of the prospectus of security consisting of separate documents, if the applying entity is the announcer of the public offering of securities who is not the issuer of securities which the public offering of securities refers to, or an entity - who is not the issuer – applying for admission to trading on a regulated market, as follows: 1. registration document 2. summarisation document 3. description of securities	35 EUR 35 EUR 35 EUR
Approval of a supplement to the prospectus of security	20 EUR

4. Publication of the prospectus of security

The issuer is obligated to publish the prospectus in due time prior to realisation of the public offering of securities; however, not later than on the day when the public offering of securities commences or on the day of submission of the application for admission of securities to a regulated market. In the case of an initial public offering of a class of shares for the first time admitted to trading on a regulated market, the prospectus will be made available to the public at least six working days before the end of the offering.

The prospectus can be published in one of the following ways:

- The website of the issuer, the announcer of the public offering of securities or the entity applying for admission to trading on a regulated market;
- The website of financial intermediaries placing or selling the securities, including the payment agents;
- The website of the regulated market where admission of securities to trading is being sought.

The prospectus will be published in a dedicated part of the website which is easily accessible after entering the website. The prospectus must be in electronic format which can be downloaded and printed, is searchable and cannot be modified. Access to the prospectus must not be conditional on registration, the consent to a disclaimer limiting legal liability or the payment of a fee. The approved prospectus will remain publicly accessible in electronic form for at least 10 years after its publication on the website.

5. Validity of the prospectus of security

The prospectus – whether a single document or one consisting of separate documents – remains valid for 12 months after its approval in the case of public offerings or admission of securities to trading on a regulated market, provided that it is supplemented with the supplement required according to Article 23 of the Provision.

If the prospectus consists of separate documents, the validity period starts after the description of securities is approved. The registration document, which has been approved previously, is valid to be used as a part of the prospectus for 12 months after its approval. The end of validity of such registration document has no effect on validity of the prospectus, of which it is a part.

VIII. Road show

Once the prospectus has been approved and published, the issuer can proceed to what is known as a “road show” which is a set of presentations of the issuer, its activities and the shares being issued, performed at meetings with potential investors. The company management and representatives of the lead issue manager usually take part in several meetings in all major cities, as well as abroad, in order to promote the prospectus of shares and to answer all questions asked by those interested and by potential members of the syndicate of subscribers. If the issuer intends to sell out the entire share issue to institutional investors, the company management takes part in several personal (“one-on-one”) meetings with the representatives of all major institutions.

The purpose of the road show is to present the company as a whole and to stimulate the growth of interest among potential investors to purchase the shares being issued. If the issuer is very convincing and has carefully included all relevant information in the prospectus of shares, the demand for them may significantly exceed the supply, which will push on the growth of their price during the subscription stage.

During the road show, the issue manager collects data about preliminary interest among investors. Small investors usually place an order specifying a required number of share units. Institutional investors specify, along with the amount of required share units, also the maximum limit price at which they are willing to buy the specified amount. However, no share issue can be officially sold at this stage; hence all orders are considered as the show of interest to buy the issuer’s shares and are not legally binding.

The marketing process can take from several weeks to several months, it is therefore not possible for the issue manager to include certain information in any related documents such as the final price of IPO, the level of discount for dealers, the names of all members of the syndicate of subscribers, etc. Once this stage is concluded, the issuer and the lead manager will meet and agree upon two final details of the offering of shares – the price offered for the shares and the exact number of shares that can be sold. Consequently, the issuer concludes an underwriting agreement with the subscribers, after which final information about the price and the number of shares is added to the prospectus of shares. The publication of the final terms can start the trading of shares. Transactions are usually concluded three days later when the lead manager deposits a financial counter-value of shares to the issuer’s account. The lead manager can subsequently settle the IPO transactions with investors.

IX. Book-building and pricing

Book-building – is a stage at which agreements are concluded on the subscription of the issue of shares being issued. Technically, it is carried out in two ways: either the lead manager subscribes the whole issue and subsequently sells it out on the secondary market, or the issue is subscribed in partial volumes by the subscribers and then the other managers try to sell the rest of the unsubscribed issue. From a legal viewpoint, both ways are realised based on contractual relations between the issuer and the subscribers – either on the basis of an Agreement on subscription of the share issue by means of full underwriting, or on the basis of an Agreement on subscription of the share issue based on best effort, under which the issue manager is not obligated to pay to the issuer for the volume of shares that fails to subscribe.

Pricing – at this stage the final conditions are stipulated, i.e. the price of offered shares and their number within the given issue. The final conditions are based on knowledge gained within the book-building process, whereby the following factors affect the determination of the final price:

- the set price range,
- analyses and comparisons,
- market and industry development,
- investor sentiment.

X. Repayment of shares and crediting to accounts

What takes place after pricing is the repayment of subscribed shares to the account of the issuer, who will ensure that the increase of registered capital is entered into the Business Register. Once the change has been recorded in the Business Register, the shares are credited to the capital accounts of their acquirers at CDCP, which concludes the process of issuance of shares.

1. Registration of shares at CDCP

Registration of an issue of book-entry shares means the assignment of ISIN and the entry of information about the issue into the issuer's register. Registration of a share issue at CDCP takes place in 3 stages:

CDCP assigns ISIN codes in compliance with the law, the ISO 6166 standard and the obligations of a member of the Association of National Numbering Agencies. Following the submitted application (the "Application for assignment/change of particulars /cancellation of ISIN") signed by persons authorised to act on the applicant's behalf (the issuer or a person authorised by the issuer), CDCP shall assign the ISIN, CFI and FISN codes to the issue of securities. A part of the application is the original or an officially certified copy of the extract from the Business Register dated not more than 3 months prior. The application is available at www.cdcp.sk, in section „<https://www.cdcp.sk/emitenti/dokumenty-pre-zaknihovane-cp/> “. The application can be sent by e-mail and subsequently by post, or delivered in person to CDCP's filing room. If the application is filled in correctly and is accompanied by the necessary documents (either originals or officially certified copies) confirming the identity, existence, legitimacy and manner of action of the applicant in accordance with applicable law, CDCP will assign the ISIN/CFI/FISN codes within 5 days after fulfilment of all conditions for the assignment of ISIN/CFI/FISN. The issuer will be notified of the ISIN assignment by e-mail or by post.

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The issuer subsequently signs an agreement with CDCP on registration of the issue of book-entry shares. Sample agreements are available at www.cdcp.sk, in section <https://www.cdcp.sk/emitenti/dokumenty-pre-zaknihovane-cp/>.

The issuer will enclose primarily the following annexes and documents with the agreement:

- Annex 1 which primarily contains information about particulars of the given issue;
- A form for the entry of information about at least 1 security to the account, if required under the agreement – E-ZCP 5 or E-ZCP 6. There is also an additional option for CDCP and the issuer to conclude an Agreement on submission of instructions on technical data carriers, which we recommend mainly in the case of a larger number of shareholders;
- The original or an officially certified copy of the extract from the Business Register dated not more than 3 month prior. If the extract was submitted at the ISIN assignment and is not more than 3 months old at the date of the signing of the agreement, then the extract is not needed.

Based on the agreement with the issuer, CDCP will register the share issue in the issuer's register and shall credit the shares to the accounts of first owners. Either in paper form or on a technical data carrier (USB and the like).

2. Fees associated with registration of a securities issue at CDCP:

Price for assignment of ISIN	150 EUR (less VAT)
Price for registration of a share issue	Depends on the size of the issue and is calculated according to this formula: $150 \text{ EUR} + \text{volume of issue} * \text{coefficient } 0.001$, whereby the maximum price for issue registration cannot exceed 150 000 EUR.

Note:

For the assignment of ISIN to one share issue in the volume of 1 000 000 EUR, together with its registration at CDCP, the issuer will pay total fees in the amount of 1 300 EUR.

XI. Admission of shares to the Stock Exchange's market

After publication of the prospectus of security (as soon as during the road show), the issuer can submit to the Stock Exchange the application for admission of shares to one of the markets whose admission criteria are met by both the issuer and the share issue being issued. In such case the Stock Exchange decides on conditional admission of said share issue to the relevant market, with the provision that the start of trading will have to wait until the issuance of shares is successfully completed.

In addition to the conditional admission of shares, BSSE can – based on the issuer's application – also decide on conditional trading of shares. On BSSE it is possible to conditionally trade subscribed – but not yet issued – shares; such shares can be traded until the moment when they are definitely issued.

BSSE organises trading on two markets, with the market of listed securities being further divided into two segments as follows:



1. Conditions for admission of shares to relevant BSSE markets

The Rules for Securities Admission to the Stock Exchange Markets stipulate the procedure for admission of shares to the listed and regulated free markets, and necessary conditions applying to the issuer and its securities.

The full wording of the Stock Exchange Rules of BSSE is available at:
<http://www.bsse.sk/PravidláBCPB.aspx>

Shares that meet the following basic conditions can be admitted to the listed market and regulated free market of the Stock Exchange:

- Securities must be fungible;
- Their transferability must not be limited;
- They must be in book-entry form;
- The prospectus of security has been approved and published, **unless the Stock Exchange Rules or a separate regulation stipulate otherwise;**
- **The issue must be issued in compliance with the law of the country where the issuer's seat is located;**
- The issue price of shares has been fully repaid;
- The subscription of shares based on a public offering has been successfully completed, or the time limit for the submission of applications for subscription of shares has expired;
- **It is technically feasible to trade the shares in the Stock Exchange's systems;**
- **The issuer has been assigned a valid LEI code;**
- The Stock Exchange is not aware of any facts that - if the security was admitted to trading on the regulated market – could cause damage to investors or seriously jeopardise their interests, or jeopardise an important public interest.

For admission to BSSE's listed market, the issuer and the issue must meet the following additional conditions:

Conditions for admission of shares to the main listed market and parallel listed market:

SHARES	Main listed market	Parallel listed market
Period of business activity (years)	3	3
Market capitalisation of issue	15 000 000 EUR	3 000 000 EUR
Free float (% of issue)	25 or market capitalisation of the part of issue distributed among the public is at least 5 000 000 EUR	25 or market capitalisation of the part of issue distributed among the public is at least 1 000 000 EUR

2. Application for admission of shares to a relevant BSSE market

Shares are admitted to a relevant BSSE market based on the application for admission of shares and an approved prospectus. The application is submitted by the issuer or by a Stock Exchange member authorised by the issuer. The application must refer to all shares of the same type, issued by a single issuer, with which (the shares) equal rights are associated. Excluded from the application can be shares held for the purpose of controlling the issuer or shares which cannot be traded for a certain period based on a valid agreement, provided that the Stock Exchange acknowledges that it will not jeopardise the interests of the owners of shares for which the application is being submitted. The exclusion from the application must apply to all shares with the same ISIN. The fact that the application only applies to a part of shares of the same type must be mentioned in the application, together with the reason.

Information in the application and in the prospectus must not be older more than 3 months from the date of preparation of the application. The application contains the issuer's identification data and essential characteristics of the shares the admission of which is being applied for. Annexes to the application comprise primarily the prospectus of shares approved by NBS, NBS's decision on approval of the prospectus, an extract from the Business Register and the financial statements for corresponding accounting periods.

The complete requirements for the content of the application are stipulated by Articles 3 of the corresponding part of the Stock Exchange Rules for Shares Admission, available at:

http://www.bsse.sk/Portals/0/Pravidla%20BCPB/Burzove%20pravidla/01112019/BP_KT_A_od01112019.pdf

http://www.bsse.sk/Portals/0/Pravidla%20BCPB/Burzove%20pravidla/01112019/BP_RVT_od01112019.pdf

3. Fees for admission of shares to BSSE

In the case of IPO, the one-off stock exchange fee for admission of shares to BSSE's listed market is 0 EUR provided that all the conditions have been met. The issuer is only obligated to pay the annual stock exchange fees for the placement of securities on the relevant market, in compliance with the Fee Order of BSSE.

Annex 1 Subsections f) through h) and subsections j) through k) of the Fee Order of BSSE

One-off stock exchange fee for admission of shares to the listed market which (the shares) are issued via the initial public offering and meet the conditions for their admission to the listed market without the possibility of granting an exemption from admission criteria: <ul style="list-style-type: none">• Volume of market capitalisation• Minimum free-float And the minimum number of issue owners	0 EUR
Annual stock exchange fee for placement of security on the main listed market	10 000 EUR
Annual stock exchange fee for placement of security on the parallel listed market	4 000 EUR
One-off stock exchange fee for admission of security to the regulated free market	3 500 EUR
Annual stock exchange fee for placement of security on the regulated free market	700 EUR

XII. Overview of fees associated with the issuance of shares

Securities dealers charge various rates for their services associated with the provision of consultancy during the issuance of securities. The issuer can realise many of those services at its own expense; however, if the issuer is not experienced in the issuance of securities it takes the risk of securities not being subscribed at the expected volume. It is quite likely that some of said fees will not be charged by competing securities dealers. It is therefore advisable to negotiate details on the scope and amounts of charged actions with the corresponding securities dealer or, alternatively, select a securities dealer whose price offer for the issuance and placement of the issue will be the most advantageous to the issuer.

If the issuer has qualified professional staff available, the issuer can save some costs on legal advice as well as on the fees for preparation of the prospectus of security provided that the issuer decides to compile it. In the same manner, the issuer can decide to perform the payment of dividends at own expense. We need to emphasize, however, that if the issuer is not sufficiently experienced in these activities and does not have qualified professionals available for different areas, the issuer should definitely contact one of the securities dealers. This is aimed solely at one criterion – the one of success of the securities issue through which the issuer will acquire financial means for further development and reinforce its position in a competitive environment. It is not advisable to try to minimise costs “at any risk” if it could jeopardise the successful issuance of a securities issue.

XIII. Direct listing process/direct public offering of shares as an alternative to IPO

If an issuer is interested in having its shares traded on a regulated market, but regards the IPO process as too costly or as unsuitable for its needs, the issuer can choose an alternative in the form of a Direct Listing Process (DLP) or, respectively, a Direct Public Offering (DPO). In this process, the issuer sells the shares held by the issuer’s shareholders directly on a regulated market, thereby significantly reducing the costs of bringing the shares to the market. Unlike in the initial public offering, in the conditions of the Slovak Republic no new shares are issued. Instead, those shares are sold for which subscription based on a public offering has successfully ended (in the past), or if a period has expired during which the applications for subscription of shares could be received and the issue price of shares has been fully repaid – therefore this process is not suitable for obtaining finance for the issuer’s business activities. On the other hand, it is a suitable means for obtaining liquidity upon the sale of shares of the current shareholders, provided that the issuer meets all conditions for admission of shares to the regulated free market or the listed market.

This form of subscription of shares allows the company to significantly reduce not only the costs, but also the time necessary for preparation and realisation of the whole process – especially at the first stage as there is no need to perform certain activities or, respectively, shorter time is needed to realise certain steps, or several actions can be carried out internally without the need for external advisors.

Realisation without external advisors – there is no need to select advisors or to consult with them, provided that the company is able to utilise internal forces to perform all or a part of the required tasks. If the company is not able to carry out all activities of economic, legal or technical nature, it can decide to entrust only some of them to external advisors (e.g. setting the share issue

parameters, preparation of the prospectus of security, marketing and PR activities to promote the sale of shares etc.).

Due diligence – this process of analysis and evaluation is not needed, since the company has at its disposal all information for preparation of the prospectus of security as well as for correct evaluation and setting of parameters of the whole issue.

Determining the terms of the offering – the subscription price, the type of investor, the minimum value of investment per investor, the maximum number of shares that can be subscribed by one investor, the start and the end of the offering – all of which are part of the prospectus of security.

Road show – with the offering of shares, the company can directly approach potential applicants from the ranks of its clients, partners and the like or, respectively, replace the road show with what is known as the “investor day” for potential investors (e.g. in on-line form).

Book-building and pricing is replaced with internal pricing; price negotiations are not needed as the company is not selling any shares.

Marketing and PR activities – the company realises, at own discretion, all marketing activities related to the offering of shares to potential investors.

Issuance of shares in the form of initial public offering
(IPO)

At first glance, the realisation of the public offering of shares looks rather complicated and involving a whole range of various tasks. Failure at any stage can result in overall failure. Careful preparation of the whole process, based also on the expertise of consultants and legal experts, is a good prerequisite for raising capital through the implementation of IPO. In the event that the aforementioned information has not provided answers to all questions, we will be glad to answer them at the contact addresses below.

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